



UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES DEPARTMENT OF COMMERCE
United States Patent and Trademark Office
Address: COMMISSIONER FOR PATENTS
P.O. Box 1450
Alexandria, Virginia 22313-1450
www.uspto.gov

APPLICATION NO.	FILING DATE	FIRST NAMED INVENTOR	ATTORNEY DOCKET NO.	CONFIRMATION NO.
-----------------	-------------	----------------------	---------------------	------------------

10/759,905

01/16/2004

Kevin G. Woodruff

030678

1515

26285 7590 12/09/2008
K&L GATES LLP
535 SMITHFIELD STREET
PITTSBURGH, PA 15222

EXAMINER

WOOD, DAVID L

ART UNIT

PAPER NUMBER

3695

MAIL DATE

DELIVERY MODE

12/09/2008

PAPER

Please find below and/or attached an Office communication concerning this application or proceeding.

The time period for reply, if any, is set in the attached communication.

Office Action Summary	Application No. 10/759,905	Applicant(s) WOODRUFF ET AL.	
	Examiner David L. Wood	Art Unit 3695	

-- The MAILING DATE of this communication appears on the cover sheet with the correspondence address --

Period for Reply

A SHORTENED STATUTORY PERIOD FOR REPLY IS SET TO EXPIRE 3 MONTH(S) OR THIRTY (30) DAYS, WHICHEVER IS LONGER, FROM THE MAILING DATE OF THIS COMMUNICATION.

- Extensions of time may be available under the provisions of 37 CFR 1.136(a). In no event, however, may a reply be timely filed after SIX (6) MONTHS from the mailing date of this communication.
- If NO period for reply is specified above, the maximum statutory period will apply and will expire SIX (6) MONTHS from the mailing date of this communication.
- Failure to reply within the set or extended period for reply will, by statute, cause the application to become ABANDONED (35 U.S.C. § 133). Any reply received by the Office later than three months after the mailing date of this communication, even if timely filed, may reduce any earned patent term adjustment. See 37 CFR 1.704(b).

Status

- 1) ☒ Responsive to communication(s) filed on 16 January 2004 and 07 October 2008.
- 2a) ☐ This action is **FINAL**. 2b) ☒ This action is non-final.
- 3) ☐ Since this application is in condition for allowance except for formal matters, prosecution as to the merits is closed in accordance with the practice under *Ex parte Quayle*, 1935 C.D. 11, 453 O.G. 213.

Disposition of Claims

- 4) ☒ Claim(s) 1-92 and 103 is/are pending in the application.
- 4a) Of the above claim(s) _____ is/are withdrawn from consideration.
- 5) ☐ Claim(s) _____ is/are allowed.
- 6) ☒ Claim(s) 1-92 and 103 is/are rejected.
- 7) ☐ Claim(s) _____ is/are objected to.
- 8) ☐ Claim(s) _____ are subject to restriction and/or election requirement.

Application Papers

- 9) ☐ The specification is objected to by the Examiner.
- 10) ☒ The drawing(s) filed on 16 January 2004 is/are: a) ☒ accepted or b) ☐ objected to by the Examiner.
Applicant may not request that any objection to the drawing(s) be held in abeyance. See 37 CFR 1.85(a).
Replacement drawing sheet(s) including the correction is required if the drawing(s) is objected to. See 37 CFR 1.121(d).
- 11) ☐ The oath or declaration is objected to by the Examiner. Note the attached Office Action or form PTO-152.

Priority under 35 U.S.C. § 119

- 12) ☐ Acknowledgment is made of a claim for foreign priority under 35 U.S.C. § 119(a)-(d) or (f).
- a) ☐ All b) ☐ Some * c) ☐ None of:
1. ☐ Certified copies of the priority documents have been received.
 2. ☐ Certified copies of the priority documents have been received in Application No. _____.
 3. ☐ Copies of the certified copies of the priority documents have been received in this National Stage application from the International Bureau (PCT Rule 17.2(a)).

* See the attached detailed Office action for a list of the certified copies not received.

Attachment(s)

- | | |
|--|---|
| 1) <input checked="" type="checkbox"/> Notice of References Cited (PTO-892) | 4) <input type="checkbox"/> Interview Summary (PTO-413) |
| 2) <input type="checkbox"/> Notice of Draftsperson's Patent Drawing Review (PTO-948) | Paper No(s)/Mail Date. _____ |
| 3) <input type="checkbox"/> Information Disclosure Statement(s) (PTO/SB/08) | 5) <input type="checkbox"/> Notice of Informal Patent Application |
| Paper No(s)/Mail Date _____ | 6) <input type="checkbox"/> Other: _____ |

DETAILED ACTION

Status of Claims

1. Claims 1-92 are amended. Claims 93-102 are cancelled. Claim 103 is new. Claim group 1 is elected. Based on amendments to the claims to depend from claim 1, either directly or indirectly, claims 1-92 and 103 are pending. The restriction requirement for those claims has thus been reexamined and the differences between the claims are deemed to be obvious differences. The restriction requirement for claims 1-102 is thus removed and all presented claims have been examined.

Claim Rejections - 35 USC § 101

2. 35 U.S.C. 101 reads as follows:

Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title.

3. Claims 1-92 and 103 are rejected under 35 U.S.C. 101 because the claimed invention is directed to non-statutory subject matter. The claims disclose methods, which *are* a patentable category of invention. However, based on Supreme Court precedent and recent Federal Circuit decisions, a § 101 process must (1) be tied to another statutory class, such as a particular apparatus, or (2) transform underlying subject matter, such as an article or materials, into a different state or thing. If neither of these requirements is met by the body of the claim, the method is not a patent eligible process under § 101 and is rejected as being directed to non-statutory subject matter. See *Diamond v. Diehr*, 450 U.S. 175, 184 (1981); *Parker v. Flook*, 437 U.S. 584, 588 n.

Art Unit: 3695

9 (1978); *Gottschalk v. Benson*, 409 U.S. 63, 70-71 (1972); *Cochrane v. Deener*, 94 U.S. 780, 787-88 (1876); *Ex parte Langemyr* (BPAI No. 2008-1495, May 28, 2008), *In re Bilski*, ___ F.3d ___ (Fed. Cir. 2008)(*en banc*). Claim 103's attempt to tie to hardware is considered a nominal recitation of a post-processing task upon which the claimed method is not in reliance to be performed.

Claim Rejections - 35 USC § 103

4. The following is a quotation of 35 U.S.C. 103(a) which forms the basis for all obviousness rejections set forth in this Office action:

(a) A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negated by the manner in which the invention was made.

5. The factual inquiries set forth in *Graham v. John Deere Co.*, 383 U.S. 1, 148 USPQ 459 (1966), that are applied for establishing a background for determining obviousness under 35 U.S.C. 103(a) are summarized as follows:

1. Determining the scope and contents of the prior art.
2. Ascertaining the differences between the prior art and the claims at issue.
3. Resolving the level of ordinary skill in the pertinent art.
4. Considering objective evidence present in the application indicating obviousness or nonobviousness.

6. Claims 1-92 and 103 are rejected under 35 U.S.C. 103(a) as being unpatentable over Noraev, et al., U.S. Pat. No. 7,249,083, in view of Hiatt, Jr., et al., U.S. Pat. Appl. Pub. No. 2003/0110107, further in view of Weil, et al., "Premiums on Convertible Bonds."

7. As to claim 1:

- Noraev discloses (column 4 lines 9-35, column 5 lines 7-20):
 - *An aggregate transaction method comprising: issuing, by an issuer, a convertible debt component structured to at least one investor; entering into, by the issuer, a convertible debt hedge with a counter-party, wherein the convertible debt hedge is integrated with said convertible debt component to form an integrated aggregate transaction*
- Noraev does not disclose, but Hiatt discloses (abstract, paragraph 0021):
 - *said convertible debt hedge including a derivative contract having a strike price structured to be adjusted up to a maturity date of said derivative contract*
- It would have been obvious to one of ordinary skill in the art at the time of the invention to combine the linked convertible bond and hedge of Noraev, with the strike price which can be adjusted, as taught by Hiatt, because their combination is a predictable use of prior art elements according to their established functions, and because the skilled artisan would see the floating strike price as an additional feature that could increase marketability or decrease cost of the hedge.
- Noraev does not disclose, but Weil discloses (page 446, number 4):
 - *wherein at least one of an anti-dilution provision, a consequence of merger provision, and a concentrative event provision of said convertible debt hedge matches at least one corresponding provision of said convertible debt component*

Art Unit: 3695

- It would have been obvious to one of ordinary skill in the art at the time of the invention to add Weil's anti-dilution provision to the Noraev's convertible bond and option product because their combination is a predictable use of prior art elements according to their established functions, and because the skilled artisan would recognize that anti-dilution provisions are common in convertible bonds (Weil) and options (see Levitin, page 90) and it would be common sense to match the provisions, which Weil describes are being used in a variety of forms, between the two instruments.

8. As to claims 2, 4, 6, 8, 10, 12, 14, 16, 18, 20, 22, 24, 26, 28, 30, 32, 34, 36, 38, 40, 42, 44, 46, 48, 50, 52, 54, 56, 58, 60, 62, 64, 66, 68, 70, 72, 74, 76, 78, 80, 82, 84, 86, 88, 90, and 92, Noraev discloses (column 7 lines 19-26):

- *structuring said convertible debt hedge to permit said issuer to settle said convertible debt hedge with a payment selected from the group consisting of cash, an amount of an underlying security, and a combination of cash and an amount of underlying security to allow said convertible debt hedge to be accounted for as an equity instrument*

9. As to claims 3, 5, and 29

10. As to claims 17, 19, 43, 45, 59, 61, 77, and 79, Noraev discloses (column 2 lines 26-57, column 7 lines 19-26):

- wherein at least a maturity date of said derivative contract matches at least a put date of said convertible debt component

Art Unit: 3695

- wherein at least a maturity date of said derivative contract matches at least a maturity date of said convertible debt component

11. As to claims 21, 47, 63, and 81, Noraev discloses (at least claim 4):

- *wherein at least one underlying security feature of said derivative contract matches at least one underlying security feature of said convertible debt component*

12. As to claims 7, 35, and 53, and claims 9, 13, 37, and 69, it would be common sense for the skilled artisan to terminate the hedge, either automatically or at the discretion of the issuer, if the investor exercises a clause in the convertible bond to sell the bond back to the issuer as a result of a "change of control" condition, since the hedge protects in the case of the conversion of the debt to stock, and if the bond is returned to the issuer, this is essentially a moot situation. If the bond is sold back to the issuer, there would be no need for a hedge since the conversion wouldn't take place.

13. As to claims 11, 39, 55, 71, and 75, and claims 13, 41, 57, 73, and 89, it would be common sense for the skilled artisan to terminate the hedge, either automatically or at the discretion of the issuer, if the underlying bond experiences a condition of default which leads to the conversion option being cancelled, as is a customary term of convertible bonds. If the conversion option is cancelled, there would be no need for the hedge.

14. As to claim 15, Hiatt discloses a variable strike price, which can adjust upwards over time.

Art Unit: 3695

15. As to claims 23, 25, 27, 33, 49, 51, 65, 67, 83, 85, and 87, Noraev discloses (at least column 4 lines 9-18) a call spread option, which includes the call option and warrant.

16. As to claim 31, it would be common sense for the hedge to terminate if the conversion option is exercised at a time when the stock price is less than the strike price of the option, since the option would be worthless in that situation, and since the option is to protect for when the conversion happens at a higher stock price, the hedge would not survive into the future, but expire with the exercise of the option, even if not used at that time.

17. Claim 91 is rejected using the same reasoning as claim 1.

18. As to claim 103, Noraev discloses a computer network which would provide communication between the issuer and other parties (column 6 lines 40-64).

Conclusion

Any inquiry concerning this communication or earlier communications from the examiner should be directed to David L. Wood whose telephone number is (571)270-3607. The examiner can normally be reached on Monday to Friday 7:30 - 5:00 EST.

If attempts to reach the examiner by telephone are unsuccessful, the examiner's supervisor, James "Jay" Kramer can be reached on 571-272-6783. The fax phone number for the organization where this application or proceeding is assigned is 571-273-8300.

Art Unit: 3695

Information regarding the status of an application may be obtained from the Patent Application Information Retrieval (PAIR) system. Status information for published applications may be obtained from either Private PAIR or Public PAIR. Status information for unpublished applications is available through Private PAIR only. For more information about the PAIR system, see <http://pair-direct.uspto.gov>. Should you have questions on access to the Private PAIR system, contact the Electronic Business Center (EBC) at 866-217-9197 (toll-free). If you would like assistance from a USPTO Customer Service Representative or access to the automated information system, call 800-786-9199 (IN USA OR CANADA) or 571-272-1000.

/James A. Kramer/
Supervisory Patent Examiner, Art Unit 3693

/David L. Wood/ December 1, 2008
David L. Wood, Examiner, Art Unit 3695